



**carbonenergy**

resource. technology. markets.

Carbon Energy Limited | ABN 56 057 552 137

## ASX/Media Announcement

18 October 2012

Level 12, 301 Coronation Drive,  
Milton QLD 4064 Australia  
PO Box 2118, Toowong DC  
QLD 4066 Australia  
phone + 61 (0) 7 3337 9944  
fax + 61 (0) 7 3337 9945

[www.carbonenergy.com.au](http://www.carbonenergy.com.au)

Carbon Energy Limited  
ABN 56 057 552 137  
Carbon Energy (Operations) Pty Ltd  
ABN 61 105 176 967

# Carbon Energy executes binding Definitive Agreement with Shanxi Coal Transportation and Sales Group

Carbon Energy (ASX:CNX, OTCQX:CNXAY) announced today it had signed its first international technology license agreement with Chinese coal giant Shanxi Coal Transportation and Sales Group (Shanxi Coal), to be its exclusive underground coal gasification (UCG) technology partner for the Shanxi Province.

Shanxi Coal is China's second largest coal company with coal rights across the Shanxi Province, China's major coal producing area. Shanxi Coal is also the 72nd largest of China's top 500 enterprises and ranked 447 on the Fortune 500. In 2011 Shanxi Coal produced approximately 40 million tonnes, transported 350 million tonnes & traded 250 million tonnes of coal.

The Definitive Agreement finalised today between Carbon Energy and Shanxi Coal is a significant milestone for Carbon Energy. In-line with the strategic direction, announced earlier this year, the agreement marks the first licensing of its technology as a non-equity, contributing partner. This agreement follows the Heads of Agreement (HOA) signed between both parties on 14 May 2012.

The Definitive Agreement will deliver to Carbon Energy:

1. A Technology Fee of US\$10 million (US\$7.5 million payable within 30 days of execution of this Definitive Agreement and the balance of US\$2.5 million payable upon achievement of Phase I project milestones);
2. The payment of a commercial schedule of rates for technical and engineering services provided by Carbon Energy; and
3. A royalty stream based on:
  - a. Phase I - A single panel supplying 0.5 PJ p.a of syngas to the local township of Changzhi. This will generate an additional US\$3 million upon achievement of Phase I project milestones.

- b. Phase II - The development of major commercial projects with a projected minimum production rate of 30 PJ p.a of syngas. This phase has the potential to generate over US\$400 million in royalties over a 20 year project life.

Work will commence immediately upon receipt of the initial \$7.5 million Technology Fee. The Company will provide technical and engineering services at commercial schedule of rates and both phases will be fully funded by Shanxi Coal under the agreement.

Shanxi Coal aims to develop UCG projects across the Shanxi region. It is an industry leader with strong experience in the entire supply chain of coal, from production and sales to transportation related logistics. Under the Definitive Agreement, the parties will work together exclusively in Shanxi Province to identify further project opportunities for the production of syngas through UCG, these will have the potential to provide substantial growth in technology royalty payments to Carbon Energy, as additional projects are developed.

Carbon Energy and Shanxi Coal have been working closely with each other to bring the partnership of the two Companies together. In approximately six months the Company has been able to develop strong ties with Shanxi Coal and is extremely positive about working together.

Mr Dash said, "Reaching a Definitive Agreement with Shanxi Coal is a major breakthrough for the Company. Shanxi Coal is a leading coal company and has strong support from the Shanxi Provincial Government." he said. "We are delighted to have reached this agreement to apply our UCG technology with one of China's largest coal companies.

"This relationship will provide the Company with cash in the short term through the initial technology fee and the provision of technical services and access to a long term revenue stream from project royalties, without requiring Carbon Energy to contribute capital to these projects." he said.

**ENDS**

For and on behalf of the Board



Andrew Dash  
Managing Director

For more information please contact Sean Waddington on +61 419 855 967 or refer to our website at [www.carbonenergy.com.au](http://www.carbonenergy.com.au)

## **About Carbon Energy**

Carbon energy specialises in underground coal gasification (UCG). Our proprietary keyseam technology is the key to unlocking new energy sources, transforming stranded, deep coal resources into high-value fuels with lower carbon emissions.

Carbon Energy's complete end-to-end UCG services deliver world-class gas projects from initial project assessment through to commercial project development, operations, site decommissioning and rehabilitation.

Carbon Energy achieved Proof of Concept of its technology following 10 years of research with Australia's premier scientific research agency, the Commonwealth Scientific and Industrial Research organisation (CSIRO), 5 years of in-field trials and over \$100 million investment in technology development.

By successfully proving our keyseam technology, we have earned a reputation for delivering consistent, high quality product gas which can be used to produce power, fertilisers and pipeline quality gas. keyseam maximises resource efficiency, extracting up to 20 times more energy from the same resource than coal seam gas (CSG), whilst minimising surface disturbance and preserving groundwater quality.

Carbon Energy also has two wholly-owned assets in southeast Queensland's Surat Basin:

- 1.2 billion tonnes of coal JORC Inferred Resource which is part of a 4 to 8 billion tonnes of coal Exploration target; and
- 743PJ of Certified 2P syngas reserves.

The Company is headquartered in Brisbane, Australia, listed on the Australian securities Exchange (ASX) as CNX and is quoted on the OTCQX International Exchange as CNXAY in the united states. Carbon Energy has UCG projects in Australia, China, Chile, Turkey and the United States.

## **About Shanxi Coal Transportation and Sales Group**

Shanxi Coal Transportation and Sales Group is a large coal mining and logistics group established by the Shanxi State-owned Assets Management Committee and 11 municipal state-owned assets management committees. Shanxi Coal Transportation and Sales Group is engaged in a wide variety of coal-related businesses, including the sale of coal and coke, coal and coke technology development, the sale of coal chemicals and the production of coal mining machinery.

Shanxi Coal is an industry leader with strong experience in the entire supply chain of coal, from production and sales to transportation-related logistics.

Shanxi Coal is ranked as the 2<sup>nd</sup> largest company among China's top 100 coal enterprises in 2009 according to China National Coal Association and is the 72<sup>nd</sup> largest of China's top 500 enterprises in 2011 according to China Enterprise Confederation and was recently admitted and ranked 447 on the Fortune 500.